

GROUND LEASE

BETWEEN

RAINIER NATIONAL BANK, MONDO DESIMONE
AND ROSE D. MASELLI, ET AL.

LESSOR

AND

THE SABEY CORPORATION

LESSEE

Dated June 1, 1987

DFT 001821

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GROUND LEASE

THIS LEASE is entered into as of the 1st day of June, 1987, between Rainier National Bank, Mondo Desimone and Rose D. Maselli, as Co-trustees under the Last Will and Testament of Giuseppe Desimone, deceased, and as Co-executors of the Estate of Assunta Desimone, deceased, and Katherine M. Desimone, individually and as Trustee under the Last Will and Testament of Richard L. Desimone, deceased, referred to in this Lease as the "Lessor," and the Sabey Corporation, a Washington corporation, referred to in this Lease as the "Lessee."

W I T N E S S E T H:

1. Premises. Lessor hereby leases to the Lessee, and the Lessee hereby leases from Lessor, the real property situated in King County, State of Washington, described as follows:

Parcel One

(Formerly a portion of the Atlas area)

That portion of the northwest quarter of the southeast quarter and of Government Lot 7 and Government Lot 11 in Section 4, Township 23 North, Range 4 East, W. M., in King County, Washington, described as follows:

Commencing at the southwest corner of said Government Lot 11 in said Section 4; thence S 89° 22' 06" E along the South line of said Government Lot 11 of Section 4, a distance of 988.27 feet; thence N 14° 45' 08" W a distance of 477.09 feet to an intersection of the North line of the South 460 feet of said Government Lot 11 of Section 4 and the northeasterly margin of Primary State Highway No. 1, as established by King County Superior Court Cause No. 529021, said point of intersection being the True Point of Beginning; thence continuing N 14° 45' 08" W along said northeasterly margin a distance of 712.51 feet to a point of spiral curve; thence continuing along said northeasterly margin on a spiral curve to the left the chord of which bears N 15° 07' 51" W a distance of 152.94 feet to a point of simple curve; thence continuing along said northeasterly margin along a curve to the left having a radius of 3970.00 feet through a central angle of 04° 55' 00" an arc

distance of 340.67 feet; thence S 40° 20' 44" E a distance of 175.00 feet; thence S 56° 13' 15" E a distance of 270.95 feet to a point on the North line of said Government Lot 11; thence S 88° 47' 49" E along said North line of Government Lot 11 a distance of 210.00 feet; thence N 27° 01' 58" E a distance of 720.59 feet to a point on a line 225 feet north-easterly of and parallel to the centerline of a proposed southeasterly extension of the Duwamish Waterway; thence S 41° 52' 02" E along said parallel line a distance of 950 feet more or less to the northwesterly bank of the Duwamish River; thence going in a southwesterly direction along said northwesterly bank of the Duwamish River a distance of 1300 feet more or less, to a point on the North line of the South 460 feet of said Government Lot 11; thence N 89° 22' 06" W along said North line a distance of 205 feet more or less to the True Point of Beginning. EXCEPT the strip of land for City of Seattle transmission line as established by Ordinance No. 82986 of the City of Seattle. AND EXCEPT the land lying southwesterly of the southwest line of said City of Seattle transmission line as established by Ordinance No. 82986 of the City of Seattle.

Comprising an area of 15.59 acres, more or less.

Parcel Two

(Formerly the Test Track Area)

That portion of the northwest quarter of the southeast quarter and of Government Lot 7 in Section 4, Township 23 North, Range 4 East, W.M., in King County, Washington, described as follows:

Commencing at the southwest corner of the southeast quarter of said Section 4; thence S 89°22'06" E along the South line of said southeast quarter of Section 4, a distance of 988.27 feet; thence N 14°45'08" W a distance of 477.09 feet to an intersection of the North line of the South 460 feet of said southeast quarter of Section 4 and the north-easterly margin of Primary State Highway No. 1, as established by King County Superior Court Cause No. 529021; thence continuing N 14°45'08" W along said northeasterly margin a distance of 712.51 feet to a point of spiral curve; thence continuing along said northeasterly margin on a spiral curve to the left the chord of which bears N 15°07'51" W a distance of 152.94 feet to a point of simple curve; thence continuing along said northeasterly margin along a curve to the left having a radius of 3970.00 feet through a central angle of 04°55'00" an arc distance of 340.67 feet to the True Point of Beginning; thence continuing along said northeasterly margin N 11°24'57" E a distance of 388.51 feet to a point of curvature the center of which bears S 64°42'23" W; thence going in a northwesterly direction along said northeasterly margin on a curve to the left having a radius of 4190.00 feet through a central angle of 02°37'29" an arc distance of 191.94

feet; thence continuing along said northeasterly margin N 27°01'05" E a distance of 89.78 feet to the southeasterly line of a roadway as described in memorandum of lease recorded under Auditor's File No. 4759860, records of King County, Washington; thence N 48°11'59" E along said southeasterly line a distance of 442.51 feet to a point 225 feet northeasterly of and parallel to the centerline of the proposed extension of the Duwamish Waterway; thence S 41°52'02" E along said line 225 feet northeasterly of the centerline of the proposed extension of the Duwamish Waterway a distance of 770.69 feet; thence S 27°01'58" W a distance of 720.59 feet to a point on the South line of the northwest quarter of the said southeast quarter of Section 4; thence N 88°47'49" W along said South line a distance of 210.00 feet; thence N 56°13'15" W a distance of 270.95 feet; thence N 40°20'44" W a distance of 175.00 feet to the True Point of Beginning.

Comprising an area of 15.82 acres, more or less.

TOGETHER WITH the appurtenances now or hereafter thereon, hereinafter called the "Premises," subject, however, to any existing mortgages, liens, encumbrances, building occupancy and other restrictions of record and to those authorized after the date hereof pursuant to the terms of this Lease, and to ordinances and regulations now or hereafter lawfully imposed by any government or agency thereof.

2. Term. The term of this Lease shall commence on June 1, 1987, and shall continue for twenty (20) years thereafter, ending on the last day of May, 2007.

3. Rental.

3.1 Monthly Rental Payments for Parcel One. The Lessee shall pay Lessor as rental for Parcel One of the Premises from June 1, 1987, through November, 1987, a monthly rental of Five Thousand Eight Hundred Forty-Six Dollars (\$5,846.00). The Lessee shall pay Lessor as rental for Parcel One of the Premises during the period beginning with December 1, 1987, and through the remainder of the twenty-year term, subject to the rental adjustments hereinafter described, a monthly rental of Eleven Thousand Six Hundred Ninety-Two Dollars (\$11,692.00). All of said monthly rentals shall be paid in lawful money of the United

States of America in advance on or before the first day of each and every calendar month of the Lease term. Forty-seven and three-tenths percent (47.3%) of each such monthly rental amount shall be paid to Rainier National Bank, Mondo Desimone and Rose D. Maselli, as Co-trustees under the Last Will and Testament of Giuseppe Desimone, deceased, and as Co-executors of the Estate of Assunta Desimone, deceased, at such place as they shall designate in writing, and the other fifty-two and seven-tenths percent (52.7%) of each such monthly rental amount shall be paid to Katherine M. Desimone, individually and as Trustee under the Last Will and Testament of Richard L. Desimone, deceased, at such place as she shall designate in writing.

3.2 Monthly Rental Payments for Parcel Two. The Lessee shall pay Lessor as rental for Parcel Two of the Premises for the period beginning June 1, 1987, through June 31, 1988, a monthly rental of Six Thousand Nine Hundred Twenty-One Dollars (\$6,921.00). The Lessee shall pay Lessor as rental for Parcel Two of the Premises during the period beginning July 1, 1988, and through the remainder of the twenty-year term, subject to the rental adjustments hereinafter described, a monthly rental of Thirteen Thousand Eight Hundred Forty-Two Dollars (\$13,842.00). All of said monthly rentals shall be paid in lawful money of the United States of America in advance on or before the first day of each and every calendar month of the Lease term. All rental payments made for Parcel Two shall be paid to Rainier National Bank, Mondo Desimone and Rose D. Maselli, as Co-trustees under the Last Will and Testament of Giuseppe Desimone, deceased, and as Co-executors of the Estate of Assunta Desimone, deceased, at such place as they shall designate in writing.

3.3 Late Payment Charges. If Lessee is more than fifteen (15) days late in making any rental payment provided for

herein, a late payment charge shall be due in addition to the monthly payment. The late payment charge shall be in the amount of five percent (5%) of that monthly payment. If Lessee is more than thirty (30) days late in making any rental payment provided for herein, an additional five percent (5%) late payment charge shall be due; and if Lessee is more than forty-five (45) days late in making any rental payment provided for herein, a third five percent (5%) late payment charge shall be due. In addition, if any monthly payment is more than thirty (30) days late, it shall accrue interest beginning as of the thirtieth (30th) day after the due date at three (3) percentage points above the most favorable then prevailing interest rate which Rainier National Bank charges its commercial borrowers for short-term loans, but not in excess of the maximum legal rate per annum, from the thirtieth (30th) day after the due date to the date of Lessee's payment. The foregoing late payment and interest charges are in addition to any other penalties provided herein for late payment.

4. Rental Escalation.

4.1 Fair Market Rental Value Adjustment. The rent shall be fixed for the first ten (10) years of the term of the Lease, as set forth above. At the end of the first ten (10) years of the Lease term, and every ten (10) years thereafter during the term of the Lease, including the extended term, if any ("Rental Change Dates"), the rent shall be adjusted to reflect the then fair market rental value of the Premises. Separate rents shall be determined for each of the two Parcels comprising the Premises. The fair market rental value shall be based upon the land "as is" and shall not take into consideration any improvements paid for by the Lessee or any sub-Lessee, such as buildings, new sewer connections, added fill, if any, asphalt, landscaping, or other such improvements

made to the Premises, or off-site improvements paid for by the Lessee (or any sub-Lessee which can be proved by the Lessee to have been constructed as a direct result of the improvements made to the Premises or the use of the Premises by the Lessee or any sub-Lessee). If any off-site improvements paid for by the sub-Lessee have been constructed only partially as a result of the improvements made to the Premises or the use of the Premises by the sub-Lessee, then only that portion which can be proved by the Lessee to have been constructed as a direct result of the improvements made to the Premises or the use of the Premises by the Lessee or sub-Lessee shall not be taken into consideration when determining the fair market rental value. The parties shall have between the sixtieth and the thirtieth day prior to a Rental Change Date in which to arrive at a mutually agreeable rental amount. If they do not so agree, then the Lessor shall immediately appoint an M.A.I. appraiser. The appraiser shall then separately determine the fair market rental values of Parcels One and Two comprising the Premises, excluding the value of any improvements constructed by Lessee, as of the Rental Change Date. After the determination, the Lessee may either accept it, or if it disagrees with the amount, it shall within thirty (30) days after having received a copy of the appraisal, appoint a second appraiser. The second appraiser shall review the first appraisal, and if he agrees with it, the appraisal shall be binding. If he disagrees with the amount of the appraisal, and if the two appraisals are within five percent (5%) of each other, then the two appraisals shall be averaged to determine the fair market rental value. If he disagrees with the amount of the appraisal, and if the two appraisals are not within five percent (5%) of each other, then the two appraisers shall within ten days appoint a third appraiser. If the two appraisers cannot agree upon a third appraiser, or if either

party fails to appoint an appraiser at the times set forth herein, then either party to the Lease may, after written notice to the other party, apply to the Presiding Judge of King County for the appointment of an appraiser. The three appraisers shall then determine the fair market rental value of the Premises, as of the Rental Change Date. The decision of two of the three appraisers shall be binding. All appraisers shall be M.A.I. appraisers engaged full time in the business of appraising real estate in the State of Washington. Each appraiser shall have thirty (30) days after such appraiser's appointment to arrive at a fair market rental value. The Lessor and Lessee shall share equally all cost of appraisal, one half to each.

4.2 Cost of Living Adjustment. In addition, the rents shall be adjusted as of the end of the fifteenth (15th) year and every ten (10) years thereafter, by an amount equal to one half of the percentage change in the Consumer Price Index occurring within the five (5) year period following the last adjustment of the rental rate based upon the fair market value. The Consumer Price Index to be used for this adjustment is the Index entitled "All Urban Consumers," United States City Average, All Items (1967 = 100) as published by the Bureau of Labor Statistics, United States Department of Labor (the "Index"). Such adjustment shall be made at the end of the fifteen (15th) year and every ten (10) years thereafter, during the term of this Lease, including the extended term, if any. If the Index is changed so that the base year differs from that used as of the month immediately preceding the month in which the term of this Lease commences, the Index shall be converted in accordance with the conversion factor published by the United States Department of Labor, Bureau of Labor Statistics. If the Index is discontinued or revised during the term, such other government index or computation, or if there is none, such

nationally recognized index or computation, that is most nearly comparable to the Index shall be used in order to obtain substantially the same result as would be obtained if the Index had not been discontinued or revised. Failure to publish the Index for a period of six consecutive months or more shall be deemed to be a discontinuance of the Index.

4.3 Ceilings on Rental Increases. The rental rate increases set forth herein shall not result in rent commencing at the end of the first ten (10) years of the term of the Lease more than seventy-five percent (75%) above Eleven Thousand Six Hundred Ninety-Two Dollars (\$11,692.00) per month for Parcel One, nor more than seventy-five percent (75%) above Thirteen Thousand Eight Hundred Forty-Two Dollars (\$13,842.00) per month for Parcel Two; the rental adjustment at the end of the twentieth (20th) year shall not result in rents more than seventy-five percent (75%) above the rents established after the end of the first ten (10) years of the term of the Lease; the rents established at the end of the thirtieth (30th) year of the Lease term shall not result in rents more than one hundred percent (100%) above the rents established after the twentieth (20th) year of the term of the Lease; and the rents established at the end of the fortieth (40th) year of the Lease term shall not result in rents more than one hundred percent (100%) above the rents established after the thirtieth (30th) year of the term of the Lease. Notwithstanding the foregoing, no rental adjustment shall operate to reduce the rent below the rent established by the last fair market rental value adjustment.

5. Option to Renew. Lessor grants to Lessee an option to renew the term of this Lease for an additional term of twenty-five (25) years, to commence on June 1, 2007, and end on the last day of May, 2032, such additional term to be on the same terms and conditions as are contained herein, with the rental

payments under said additional term to be adjusted in accordance with paragraph 4 hereof. Lessee shall be deemed to have automatically exercised its option to renew unless Lessee gives Lessor written notice of its decision not to renew at least twelve (12) months before the end of the initial term of this Lease. Notwithstanding the foregoing, the option to renew granted by this paragraph 5 shall have no force or effect whatsoever, and this Lease shall terminate on the last day of May, 2007, if Lessee is in material default twelve (12) months before the end of the initial term of this Lease. If Lessor has given Lessee a notice of default and if the matter that is the subject of the notice of default is of such a nature that it cannot be reasonably corrected by twelve (12) months before the end of the initial term of this Lease, no default shall be deemed to exist as of twelve (12) months before the end of the initial term if Lessee promptly, upon receipt of notice, commences the curing of the default and diligently prosecutes the same to completion.

6. City of Seattle Transmission Line Right of Way. If Lessee at any time prior to or during the Lease term leases the property which adjoins the Premises and which is owned by the City of Seattle, and if that lease from the City or any other agreement with the City contains a right to purchase that property owned by the City of Seattle, the Lessee hereby assigns that right to purchase to Katherine M. Desimone, and to her heirs and assignees, subject to a reversionary interest which provides that this purchase right shall revert back to the Lessee in the event that the Lessee purchases the property presently owned by Katherine M. Desimone which is leased to Sabey and which adjoins that City of Seattle property. The Lessee shall cooperate in providing access from a sewer connection across both the Premises described in this Lease and the

City of Seattle property to the property owned by Katherine M. Desimone which is located south of the City of Seattle property.

7. Taxes, Utilities and Other Charges. The Lessee hereby covenants and agrees to pay, before delinquency (or to reimburse Lessor for the payment of, whichever Lessor directs), all taxes, general and special, assessments, including assessments for local improvements, all charges for electricity, telephone, heat, gas, water, sewer and garbage removal, and all other public service or utility charges of every kind and type, inspection fees, and every other charge of every and any kind, whether herein enumerated or otherwise, that may be levied, assessed, charged, or imposed upon or against the Premises or any improvements thereon during the term of this Lease. The real estate taxes for the first and last years of the term of this Lease shall be prorated between the Lessor and the Lessee as of the dates of commencement and termination of this Lease. In the case of assessments for local improvements or betterments that are assessed or imposed during the term of this Lease and that may be payable in installments, the assessments may be paid over the longest period of time that is permitted by the assessing agency, and Lessee shall only be obligated to pay the installments that fall due during the term of this Lease as extended. This shall be an absolutely net Lease, and shall at all times yield to the Lessor the net rental provided for in this Lease, except for any income taxes that may be payable by the Lessor to the United States of America or to any state or local government under any existing or future law. It shall be the Lessee's sole responsibility to ascertain the amounts due and the due dates of all said taxes, assessments and charges, and the Lessor shall in no event be liable for failing to ascertain or notify the Lessee of the amounts or the due dates of any of said taxes, assessments and charges. Upon Lessor's

request, Lessee shall deliver to the Lessor, within thirty (30) days of Lessor's request, receipts showing payment of all said taxes, assessments and charges.

8. Right to Contest Taxes, Assessments and Charges. The Lessee shall have the right to contest all taxes, assessments and other governmental charges which it herein agrees to pay and any and all laws, rules, orders, ordinances and regulations which it has anywhere herein agreed to comply with, and shall have the right to defer payment or compliance pending the determination of such contest. The Lessee hereby covenants and agrees to indemnify the Lessor against any liability, loss, damage, cost or expense resulting from the deferment of payment, noncompliance with or contest of any such tax, assessment, or governmental charge so contested or the noncompliance with or contest concerning any such law, rule, order, ordinance or regulation so contested. Upon demand of the Lessor, the Lessee agrees to furnish the Lessor an indemnity bond from a company authorized to issue such bonds in the State of Washington, indemnifying the Lessor against such liability, loss, damage, cost or expense.

9. Use of Premises.

9.1 Compliance with Laws. The Lessee shall comply with all laws, rules, orders, ordinances and regulations of any governmental agency having jurisdiction of the Premises affecting said Premises or the use thereof. Lessee shall not do or permit anything to be done in or about the Premises, nor keep or bring anything therein, which will cause a cancellation of any insurance policy covering said Premises or any part thereof. Except as contained in paragraph 9.2, Lessor has made no representations that the condition of the Premises on the date of the commencement of the term hereof complies with the requirements of any federal, state, county or other governmental entity or

that any governmental permits have been obtained or are in good standing with reference to the ownership or use of the Premises. The Lessee agrees to satisfy all such lawful governmental rules, orders, ordinances, and regulations and to obtain any such permits, all at its sole cost and expense.

9.2 Lessor's Warranties. Lessor hereby warrants and represents to Lessee that:

(a) Authority. Lessor has full power and authority to execute and deliver this Lease. This Lease is valid, binding and enforceable against Lessor in accordance with its terms. The execution of this Lease will not result in a breach of the terms and conditions of nor constitute a default under or violation of any agreement or other instrument or obligation to which Lessor is now a party or by which Lessor or any of the assets of Lessor may be bound or affected, where such a breach or default would prevent the consummation of this transaction. However, notwithstanding any other provisions of this Lease, if there are any platting requirements imposed because of the execution of this Lease, all such requirements shall be satisfied by Lessee at its sole expense.

(b) Title. Lessor has good and marketable title to the Premises subject only to those encumbrances and easements of record as of the date hereof.

(c) Monetary Liens. Lessor warrants that it is not aware of any monetary liens against the Premises as of the date hereof.

(d) Physical Easements or Encumbrances. Lessor warrants that it is not aware of any physical easements or encumbrances which would make the Premises unsuitable for development, or any assessments which have been levied against the Premises, becoming due during the term of this Lease.

(e) Litigation. Lessor warrants that it is not aware of any litigation, investigation or other proceedings pending or threatened against or relating to the Premises.

(f) Hazardous Wastes. Lessor warrants that it is not aware of any hidden or subsurface hazardous substances, as defined in paragraph 9.3 below, on the Premises.

9.3 Pollutants and Hazardous Substances. No substances shall be unlawfully discharged into the Duwamish River. None of the following substances shall be allowed on the Premises without strictly complying with all laws and regulations affecting the storage or use thereof:

(a) Hazardous substances, as defined in the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. § 9601, et seq., and its implementing regulations, and all future amendments thereto;

(b) Regulated substances, as defined in § 9001 of the Solid Waste Disposal Act as amended by § 601 of the Hazardous and Solid Waste Amendments of 1984, and all future amendments thereto; and

(c) Dangerous wastes or extremely hazardous wastes as defined in the Hazardous Waste Disposal Act, Chapter 70.105 RCW and its implementing regulations, and all future amendments thereto.

Lessor and Lessor's agents shall have the right at all reasonable times to enter the Premises and inspect the same, subject to the sub-Lessee's reasonable security requirements and procedures. If Lessor at any time should have reasonable cause to believe that any of the foregoing substances are or at any time during the term hereof have been on the Premises without strict compliance with all laws affecting the storage or use thereof, Lessor may have the substances tested, and in the event of such

non-compliance, Lessee shall pay all costs of testing and compliance, including, without being limited to, reasonable fees and expenses of attorneys, consultants and testing agencies, and all other costs of cleanup of the Premises. If Lessee at any time receives a report or letter from the State of Washington Department of Ecology or the U.S. Environmental Protection Agency concerning the condition of the Premises, it shall forthwith provide Lessor with a copy thereof.

10. Improvements. The Lessee, at its expense, may at any time construct improvements of any kind on the Premises, including filling or grading, provided those improvements are constructed or altered in accordance with all applicable regulations and requirements of any governmental authority having jurisdiction thereof. All such improvements as are made may be modified, removed or relocated by the Lessee at any time, provided that during the last two (2) years of the initial Lease term (unless and until Lessee exercises its option to renew) and during the last ten (10) years of the extended term, if any (subject to the provisions of paragraph 16), no buildings or other improvements shall be removed or altered unless replaced or renewed with improvements of comparable value. At the expiration or earlier termination of this Lease, all such improvements shall become the property of the Lessor and shall remain in and be surrendered with the Premises as a part thereof without payment therefor.

11. Acceptance and Care of Premises. Lessee acknowledges that it has thoroughly examined the Premises, and that it accepts the same in their present condition and waives all claims of any nature that may arise therefrom. The Lessee covenants and agrees that all buildings and improvements now upon the leased Premises or thereafter constructed thereon shall be kept, both inside and out, in good condition and repair at

the Lessee's sole cost and expense, including, but not limited to, exterior walls, roof, foundation, glass, plumbing, wiring and fixtures in or connected with the Premises, and that any needed repairs shall be made with all reasonable promptness.

12. Surrender of Premises. Lessee agrees that at the expiration or earlier termination of this Lease, it will quit and surrender the Premises without notice and will deliver the Premises to the Lessor free and clear of all liens and encumbrances of any kind or nature, except those that may be authorized by this Lease or approved in writing by Lessor. Any personal property upon the Premises at the expiration or earlier termination of this Lease may be removed by the Lessor and the Lessor may place the same in storage at a public warehouse at the expense and risk of the owners thereof, but the Lessor shall have no obligation to do so, or at the option of Lessor such property shall be deemed abandoned by the Lessee. Notwithstanding the foregoing, at the expiration or earlier termination of this Lease, at Lessor's option Lessee may be required to remove at its expense all personal property then on the Premises. Also notwithstanding the foregoing, at the expiration of the extended term of this Lease, at Lessor's option, and upon giving Lessee written notice thereof at least five (5) years prior to the expiration of the extended term of the Lease, Lessee may be required to remove at its expense all buildings or other structures then on the Premises; provided, however, that if at any time during the final ten (10) years of the extended term the Lessee requests permission to remove buildings or other structures, and if Lessor denies that request, then Lessor shall not have the right to require Lessee to remove such buildings or other structures at the expiration of the extended term. Lessor shall have the right during the last year of the term hereof, including the extended term, if any, to place a "for rent" or

"for sale" sign on the Premises, and to have reasonable access to the Premises for the purpose of marketing the same, subject to the sub-Lessee's reasonable security requirements and procedures.

13. No Liens or Encumbrances. Lessee agrees not to permit any lien or encumbrance from any source or for any purpose whatsoever to remain against Lessor's interest in said Premises for more than one week's duration during the term of this Lease, unless Lessee furnishes the Lessor with an indemnity bond from a company authorized to issue such bonds in the State of Washington, indemnifying the Lessor against any liability, loss, damage, cost or expense in the full amount of any such lien plus reasonable attorney's fees.

14. Insolvency. In the event that Lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee or other liquidating officer is appointed for the business of the Lessee, and such receiver, assignee or other liquidating officer is not discharged within one hundred twenty (120) days from the date of his appointment, then the Lessor may terminate this Lease at its option.

15. Hold Harmless Clause and Liability Insurance.

15.1 Indemnification by Lessee. The Lessee shall hold harmless and indemnify the Lessor and Lessor's agents from all liabilities, costs and expenses of every kind and nature whatsoever (including, without limitation, reasonable attorneys' fees and expenses) that may be claimed or accrue by reason of any accident or injury in or about the leased Premises or as the result of the condition, maintenance or operation of the Premises and areas adjacent thereto, or caused by the acts or neglect of the Lessee or of any person whomsoever in or about the Premises. It is agreed that neither the Lessor nor the Lessor's agents shall be liable for the death of or injury to

any person in or about the Premises, or for loss of or damage to any property in or about the Premises, and the Lessor shall not be liable to the Lessee or to any person for claims arising from any defect (whether known or unknown) in the construction or present condition of the Premises. In case any action, suit or proceeding is brought against Lessor by reason of any such occurrence, Lessee, upon Lessor's request, will at Lessee's expense, cause the same to be resisted and defended by counsel designated by Lessee and approved by Lessor. In case of bodily injury to persons or damage to property caused by or resulting from negligence or intentional acts of Lessor or its agents or employees in connection with work performed on the Premises, the foregoing indemnification is only to the extent of Lessee's negligence. The obligations of Lessee under this paragraph arising by reason of any such occurrence taking place during the term of this Lease shall survive any termination of this Lease.

15.2 Liability Insurance. Lessee agrees to keep in force bodily injury liability insurance and property liability insurance with minimum limits of Two Million Dollars (\$2,000,000.00) covering said Premises, all such insurance to be in a company or companies authorized to issue such insurance in the State of Washington, and to be for Lessor's benefit as its interests may appear. If the Consumer Price Index referred to in paragraph 4.2 hereof shall increase during the Lease term by more than ten percent (10%) over that Index prevailing at the date this Lease is signed, then at the request of Lessor the said limits of liability shall be increased by the same percentage amount as that percent increase in the CPI. Lessee agrees to pay all premiums for such insurance, and upon Lessor's request to deliver to Lessor evidence of the fact that such insurance is in force and will not be cancelled without at least

thirty (30) days' prior written notice by said insurance company or companies to Lessor.

16. Fire Insurance. The Lessee shall procure and maintain at its sole expense standard fire and extended coverage insurance (or an all perils endorsement) on all of the improvements on the Premises to the extent of the full insurable value of those improvements. Such insurance shall include ~~earthquake coverage and~~ an inflation endorsement and shall be written with companies satisfactory to the Lessor. Upon Lessor's request, Lessee shall furnish Lessor with a copy of said insurance policy. All policies shall be made payable to the Lessor and Lessee, to the end that the Lessee shall be entitled to collect, for the use and benefit of the Lessor and Lessee, as their interests may appear, all money due under said policies payable in the event of, and by reason of, the loss or damage by fire or other causes covered by such policies, of the buildings or other improvements on the Premises. Said insurance shall contain a clause that the insurer will not cancel or change the insurance without first giving the Lessor at least thirty (30) days' prior written notice. If any incident occurs which occasions any payment of proceeds of said insurance, the Lessee shall have sixty (60) days after said incident in which to decide whether or not to rebuild or repair the Premises. If the Lessee gives written notice to the Lessor within said sixty (60) day period that it has elected to rebuild or repair the Premises, the Lessee shall promptly thereafter place said improvements in substantially the same condition (or of comparable value) as they were before said incident which caused the payment of the proceeds of said insurance. All proceeds of said insurance shall be applied toward the cost of said rebuilding or repairs, except that if there is any balance remaining after said improvements have been placed in

substantially the same condition as they were before said incident (or of comparable value), said balance shall be divided as set forth below. If the Lessee should fail to give said notice within said sixty (60) day period, then neither party shall have any responsibility to rebuild or repair the Premises, and the insurance proceeds shall be divided between the Lessor and the Lessee in proportion to the appraised values of their respective estates in the improvements taken. In determining the appraised value of the Lessor's reversionary interest in said improvements, the appraiser shall assume that the improvements which were damaged or destroyed would have remained on the Premises during the remainder of the Lease term, as extended, and that the Lessee would have exercised its option to renew. Such appraised value shall be determined by using the same procedure for the appointment of (and sharing the cost of) appraisers as is set forth in paragraph 4.1 hereof.

17. Eminent Domain.

17.1 Termination of Lease as to Portion Taken. If, during the term of this Lease, a portion of the Premises shall be taken as the result of the exercise of the power of eminent domain, or pursuant to negotiation under the threat of the power of eminent domain, this Lease shall thereupon terminate as to such portion so taken, and shall remain in full force and effect as to the remaining portion, and the amount of the rental to become payable thereunder on or after the date title is vested in or possession taken by the condemnor, whichever first occurs, pursuant to the eminent domain proceedings, shall be reduced in the ratio that the portion taken of the square foot area of the land described in paragraph one hereof bears to the entire square foot area of said land described in paragraph one hereof; provided, however, that if the taking is of more than fifty percent (50%) of the square foot area of the Premises, or

if the taking renders the Premises unsuitable for the business of the Lessee at the Premises, Lessee shall have the option to terminate this Lease as of the date title is vested in or possession taken by the condemnor. Such option shall be exercised by notice given to Lessor thirty (30) days prior to the proposed termination date.

17.2 Limited Taking. In the event of a Limited Taking, as defined herein, the parties agree that Lessor shall be entitled to all condemnation awards granted for the taking of the land as though unimproved and unencumbered, and that Lessee shall have no claim against the Lessor for the value of any unexpired term of this Lease, except that the Lessee shall be entitled to receive any sums awarded as compensation for improvements on the Premises, and to compensate Lessee for relocating its business or moving its personal property from the Premises. For this purpose, a "Limited Taking" is defined as a taking in which: (a) no buildings or any portions thereof are taken; and (b) the taking is of such an extent and nature as to not substantially or materially handicap, impede or impair Lessee's or any sub-Lessee's use of the Premises.

17.3 Other Than a Limited Taking. In the event of a taking other than a Limited Taking, the parties agree that the condemnation award shall be divided between the parties in proportion to the appraised values of their respective estates in the land and improvements taken. In determining the appraised value of the Lessor's reversionary interest in any buildings which have been taken, the appraiser shall assume that the buildings being condemned would have remained on the Premises during the remainder of the Lease term, as extended, and that the Lessee would have exercised its option to renew. Such appraised values shall be determined by using the same

procedure for the appointment of (and sharing the cost of) appraisers as is set forth in paragraph 4.1 hereof.

17.4 Apportionment of Rent. In the event of a partial taking, current rent shall be apportioned as of the date title is vested in or possession taken by the condemnor, whichever is the first to occur.

18. Default. If at any time during the term of this Lease the Lessee shall fail to pay the rentals provided for herein or if the Lessee shall fail to comply with any of the other terms and conditions of this Lease, the Lessor may give written notice to the Lessee to pay such rentals or otherwise comply with the terms and provisions of this Lease, as the case may be. If such default is not cured within ninety (90) days as to a default in the payment of rent or within forty-five (45) days as to any other default after such notice, the Lessor shall have, in addition to such remedies as may be afforded by the laws of the State of Washington, the power and right to declare this Lease terminated and reenter the Premises, but notwithstanding such remedies or termination and reentry by the Lessor the liability of the Lessee for the rent provided for herein shall continue, and in discharge of such liability, the Lessee covenants and agrees to make good to the Lessor any deficiency arising from the reentry and reletting of the Premises at a lesser rental than herein reserved, and to pay such deficiency each month as the amount thereof is ascertained by the Lessor. Notwithstanding the foregoing, if the matter that is the subject of the notice of default is of such a nature that it cannot be reasonably corrected within forty-five (45) days, no default shall be deemed to have occurred if Lessee promptly, upon the receipt of notice, commences the curing of the default and diligently prosecutes the same to completion.

19. Lessor May Perform. If the Lessee fails to do any act or thing required to be done by the Lessee under this Lease, except to pay rent, the Lessor shall have the right, at its sole option, but not the obligation, to do such act or thing on behalf of the Lessee and upon notification of the Lessor's expenditure in connection therewith, the Lessee shall immediately repay the Lessor the amount thereof plus interest at three (3) percentage points above the most favorable then prevailing interest rate which Rainier National Bank charges its commercial borrowers for short term loans, but not in excess of the maximum legal rate per annum, from the date of the Lessor's expenditure to the date of the Lessee's repayment.

20. Attorneys' Fees. If, by reason of any default on the part of the Lessee or the Lessor in the performance of any of the terms or provisions of this Lease, it becomes reasonable for the Lessor or the Lessee to employ an attorney, the defaulting party agrees to pay all costs, expenses and attorneys' fees reasonably expended or incurred by the non-defaulting party in connection therewith.

21. Non-Waiver. The failure of the Lessor to insist upon strict performance of any of the terms and provisions of this Lease shall not be construed as a waiver or relinquishment of any such terms or conditions, or of any other term or condition, but the same shall be and remain in full force and effect. The receipt of rent, with or without knowledge of any breach of this Lease, shall not be deemed to be a waiver as to any breach of any term or provision contained herein, and the receipt of rent after any breach of this Lease shall be construed to be a payment for the use and occupancy of the Premises and no waiver shall be claimed as to any term or provision of this Lease unless the same be in writing signed by the Lessor.

22. Notices. Any notice, consent, request or other communication provided for in this Lease shall be in writing. Such notice, consent, request or other communication shall be sent by registered or certified mail to the Lessor by mailing the same to Rainier National Bank and to Katherine M. Desimone, and also either to Joseph R. Desimone or to Richard L. Desimone, at:

c/o Trust Department
Rainier National Bank
P. O. Box C-34029
Seattle, WA 98124

Katherine M. Desimone
(b)(6)
Seattle, WA 98166

Mr. Joseph R. Desimone
(b)(6)
Seattle, WA 98148

Mr. Richard L. Desimone
(b)(6)
Seattle, WA 98188

Such notice, consent, request or other communication shall be sent by registered or certified mail to the Lessee, with a copy to Lessee's attorneys, at:

The Sabey Corporation
P. O. Box 9847
Seattle, WA 98109

Erickson and Barkshire
10801 Main St., Suite 204
Bellevue, WA 98004

The party to receive the notice, consent, request, or other communication may hereafter designate another address to the other party, in which case the notice, consent, request or other communication shall be sent to that other address. Alternatively, such notice, consent, request or other communication may be personally delivered to the party to receive the same.

23. Remaining in Possession. If the Lessee remains in possession of the Premises after the expiration or sooner termination of this Lease, the Lessee shall be deemed to be

occupying the Premises as a tenant from month to month, subject to all the provisions of this Lease insofar as they are applicable to a tenancy from month to month.

24. Lessor's Financing. Nothing in this Lease shall prevent the Lessor from encumbering Lessor's interest in the Premises during the term of the Lease with a mortgage or deed of trust to secure a loan to Lessor. Lessee's consent to such an encumbrance shall not be required. Lessee agrees to cooperate with the reasonable requirements of such a mortgagee or deed of trust beneficiary and to sign any additional documents, including an amendment to this Lease, which are reasonably required to effectuate the loan, provided that doing so does not have an adverse effect on Lessee's interests as set forth in this Lease.

25. Leasehold Encumbrances.

25.1 Right to Assign Lease for Purposes of Security.

On one or more occasions, without Lessor's prior consent, Lessee shall have the right to assign its interest in this Lease to one or more lending institutions ("Lessee's Lender") as security for a loan to provide the construction, original permanent financing, or refinancing of the improvements to be constructed on the Premises. If required by Lessee's Lender, Lessor agrees to consent to the assignment of Lessee's interest in this Lease to Lessee's Lender and to execute all documents reasonably required by the Lender to evidence said consent.

25.2 Notice of Default. If Lessee shall, on one or more occasions, assign its interest in this Lease to a Lender, and if Lessee's Lender shall provide Lessor with notice of such assignment and the name and address of the Lender, Lessor agrees that, following receipt of such notice by Lessor, Lessor shall give to Lessee's Lender a copy of each notice of default by Lessee at the same time and whenever such notice of default

shall thereafter be given by Lessor to Lessee, addressed to Lessee's Lender at the address last furnished to Lessor. No notice of default by Lessor shall be deemed to have been given to Lessee unless and until a copy thereof shall have been so given to Lessee's Lender. Lessee's Lender shall then have a period of thirty (30) days more, after receipt of the notice, for remedying the default or causing it to be remedied than is given Lessee after receipt of such notice by it. In case Lessee shall be in default, Lessee's Lender shall have the right to remedy the default or cause it to be remedied within the periods and otherwise as provided in paragraph 18 and this paragraph, with the additional thirty (30) day period provided above for curing the default. Lessor will accept performance by Lessee's Lender of any covenant, condition, or agreement to be performed under this Lease by Lessee with the same force and effect as though performed by Lessee. From and after receiving Lessee's Lender's notice, Lessor and Lessee will not cancel, surrender, modify or amend this Lease in any respect without the prior written consent of Lessee's Lender.

25.3 Lessor's Cooperation with Lender. Lessor agrees to cooperate with the reasonable requirements of Lessee's Lender, and to sign any additional documents, including an amendment to this Lease, which are reasonably required to effectuate the loan, provided that doing so does not have an adverse effect on Lessor's interests as set forth in this Lease.

26. Assignment or Subletting. Other than as described in paragraph 25, Lessee agrees that it will not assign this Lease or any part thereof, without the prior written consent of Lessor, which Lessor shall not unreasonably withhold. Lessee may sublet portions of the Premises in the ordinary course of business for occupancy by subtenants, but may not sublet the whole or substantially the whole of the Premises without the

prior written consent of Lessor, which Lessor shall not unreasonably withhold.

27. First Right of Refusal. Lessee shall have a first right of refusal to purchase the Premises and a first right of refusal to lease the Premises, upon the expiration of the term of the Lease (including any extended term), except that neither first right of refusal shall continue after the expiration of the Lease term. If during the term of the Lease, or any extended term, the Lessor receives a bona fide offer to purchase or lease the Premises, or any part thereof, which it desires to accept, it shall first give Lessee written notice of such offer, and Lessee shall have thirty (30) days thereafter in which to notify Lessor of Lessee's decision to purchase or lease on those same terms. If Lessee does not notify Lessor of Lessee's decision to purchase or lease, then Lessor shall be free to sell or lease to such third party. The foregoing shall not apply to a bona fide sale, lease or other transfer to a beneficiary of the Wills of Giuseppe Desimone, Assunta Desimone or Katherine M. Desimone, or to a descendant or other family member of either of them, or to a spouse of any such beneficiary, descendant or other family member. After the fortieth (40th) year of the Lease term, if there is an offer from a third party to purchase or lease a larger tract of land of which all or a portion of the Premises are a part, then Lessee's right of first refusal must be exercised with respect to the entire tract of land which the third party is offering to purchase or lease.

28. Estoppel Certificates. Both Lessor and Lessee agree at any time and from time to time upon not less than ten (10) days' prior written notice by the other party, to execute, acknowledge and deliver to the other party a statement in writing certifying that this Lease is unmodified and in full force and effect (or if there have been modifications that the

Lease is in full force and effect as modified and stating the modifications), and the dates to which the rent and other charges have been paid in advance, if any, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by prospective purchasers or lenders.

29. Binding Effect. The covenants and agreements of this Lease shall be binding upon and inure to the benefit of the Lessor and the Lessee and their heirs, executors, administrators, successors and assigns.

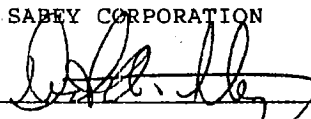
30. Recording Memorandum of Lease. The parties agree to execute and record a Memorandum of this Lease in form and substance as required by a title insurance company insuring Lessee's leasehold estate or the interest of any leasehold mortgagee or fee mortgagee, and sufficient to give constructive notice of the Lease to subsequent purchasers and mortgagees.

31. Time. Time is of the essence of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease the day and year first above written.


THE SABBY CORPORATION

By

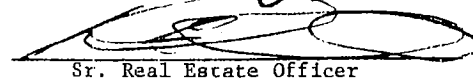

LESSEE

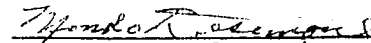
RAINIER NATIONAL BANK

By


Vice President

By


Sr. Real Estate Officer


Mondo Desimone

Rose D. Maselli
Rose D. Maselli

(As Co-trustees under the Last Will and Testament of Giuseppe Desimone, deceased, and as Co-executors of the Estate of Assunta Desimone, deceased)

Katherine M. Desimone
Katherine M. Desimone

(Individually and as Trustee under the Will of Richard L. Desimone, deceased)

LESSOR

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 3 day of June, 1987, before me, the undersigned Notary Public in and for the State of California, personally appeared Mondo Desimone, to me known to be the individual Co-trustee of the trust under the Last Will and Testament of Giuseppe Desimone, deceased, and the individual Co-executor of the Estate of Assunta Desimone, deceased, the individual described in and who executed the within and foregoing instrument as such Co-trustee and Co-executor, and acknowledged that he signed the same as his free and voluntary act and deed for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument as such Co-trustee and Co-executor.

WITNESS my hand and official seal hereto affixed the day and year first above written.

David A. Larker
Notary Public in and for the
State of Washington, residing at
Bellevue

My commission expires August 18, 1988

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 2nd day of June, 1987, before me, the undersigned Notary Public in and for the State of Washington, personally appeared Rose D. Maselli, to me known to be the individual Co-trustee of the trust under the Last Will and Testament of Giuseppe Desimone, deceased, and the individual Co-executor of the Estate of Assunta Desimone, deceased, the individual described in and who executed the within and foregoing instrument as such Co-trustee and Co-executor, and acknowledged that she signed the same as her free and voluntary

WITNESS my hand and official seal hereto affixed the day
and year first above written.

Gabe K. Bach
Notary Public in and for the
State of Washington, residing at
KENTON

My commission expires: July 15 1987

STATE OF WASHINGTON

COUNTY OF KING

On this 5th day of June, 1987, before me, the
undersigned Notary Public in and for the State of Washington,
personally appeared DAVID A. SABEY to me known
to be the PRESIDENT of The Sabey Corporation, the
corporation described in and which executed the foregoing
instrument, and acknowledged the said instrument to be the free
and voluntary act and deed of said corporation for the uses and
purposes therein mentioned, and on oath stated that he is
authorized to execute the said instrument on behalf of said
corporation.

WITNESS my hand and official seal hereto affixed the day
and year first above written.

M. C. Swick
Notary Public in and for the
State of Washington, residing at
KIRKLAND

0865d

My appointment expires: NOV 26, 1988

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